

# **EXHIBIT 10C**

NO. GV401286

THE STATE OF TEXAS	)	IN THE DISTRICT COURT
	)	
<i>ex rel.</i>	)	
VEN-A-CARE OF THE	)	
FLORIDA KEYS, INC.,	)	
Plaintiffs,	)	
	)	TRAVIS COUNTY, TEXAS
VS.	)	
	)	
ABBOTT LABORATORIES INC.,	)	
HOSPIRA, INC., B. BRAUN	)	
MEDICAL INC., AND BAXTER	)	
HEALTHCARE CORPORATION,	)	
Defendants.	)	201 <sup>ST</sup> JUDICIAL DISTRICT

ORAL AND VIDEOTAPED DEPOSITION OF

**BRUCE STOWELL**

July 19, 2006

(HIGHLY CONFIDENTIAL)

**COPY**

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 BRUCE STOWELL**

**Volume 1**

July 19, 2006

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ORAL AND VIDEOTAPED DEPOSITION OF BRUCE STOWELL,  
 produced as a witness at the instance of the  
 Plaintiff(s), and duly sworn, was taken in the  
 above-styled and numbered cause on the 19th of July,  
 2006, from 9:15 a.m. to 5:01 p.m., before CYNTHIA  
 VOHLKEN, CSR in and for the State of Texas, reported  
 by machine shorthand, at the offices of Jones Day, 77  
 West Wacker, Chicago, Illinois, pursuant to the Texas  
 Rules of Civil Procedure and the provisions attached  
 previously.

## A P P E A R A N C E S

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(By Telephonic Means)

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1 ALSO PRESENT:

2 John Maloy Lockwood, M.D.  
3 Mr. James Cook  
4 Ms. Karolina K. Tesarski, Videographer

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1 A. That's correct.

2 Q. How does PPD do that?

3 A. As I understand how their system works, they  
4 check the customer number that is filing for that  
5 chargeback that the wholesaler is filing on behalf of  
6 and make sure that that's actually a valid customer.

01:39

7 Now, the relationship, we have to depend  
8 on the wholesaler as to who he distributed that  
9 product to because we sold to the wholesaler. So he  
10 reports that back to us as part of the chargeback  
11 process. But we do validate that customer number and  
12 we also validate the contract that is being claimed.

01:39

13 Q. To do that do you not have to verify that end  
14 customer -- the price that the end customer was  
15 entitled to pursuant to the contract with Abbott?

01:40

16 A. Yes.

17 MR. BERLIN: Objection, form.

18 A. Yes.

19 Q. (BY MS. MOORE) How is that done?

20 A. The contract numbers are looked up as part of  
21 the process and they're on that field -- they're one  
22 of the fields on the indirect data.

01:40

23 Q. Which system does that verification for you?

24 A. That's IMH and now CPCC.

25 Q. What -- to what system does it turn to verify

01:40

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1 the contract price of the end customer?

2 A. Well, those contract prices were stored in  
3 IMH and now they're stored in CPCC.

4 Q. All right. So --

5 A. This is on the PPD side.

01:40

6 Q. On the PPD side you don't use the CAS to go  
7 and verify prices.

8 A. No.

9 Q. Well, so just generally speaking, then, are  
10 the contracts that are entered into as to PPD prices,  
11 they're totally separate from the ones for the HPD  
12 prices?

01:41

13 A. That's correct.

14 Q. Two different systems.

15 A. (Nodded head affirmatively).

01:41

16 Q. I see. So within -- and I'm having trouble  
17 for some reason -- I can recall CPCC, but I'm having  
18 trouble with whatever that other one is.

19 A. IMH.

20 Q. IMHC. Within that system there is a storage  
21 of contract prices --

01:41

22 A. Uh-huh.

23 Q. -- for each PPD product.

24 A. That's correct.

25 Q. Okay. That's what was -- I was aware of how

01:41

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1 the HPD did it, but -- so I assumed incorrectly that  
2 PPD must use CAS, but does not. All right. So the  
3 CAS system applies to HPD products, period.

4 A. That's correct.

5 Q. If I could get you to look really quickly at  
6 Exhibit 26. We've been talking about these rebates,  
7 but there is a reference -- this was the file  
8 layout -- yeah, there you go. The file layout for PPD  
9 indirect and you'll see down there there's contract  
10 number to which you just referred --

11 A. Uh-huh.

12 Q. -- which gives you the ability to verify the  
13 price. And then the description is rebate contract  
14 number. Is this an instance that you mentioned  
15 earlier where "rebate" means chargeback?

16 A. Yes.

17 Q. Okay. Would it be more correct then to call  
18 it the chargeback contract number?

19 A. Yes.

20 Q. Okay. There is further down on that page, I  
21 believe -- never mind. Strike that.

22 I'm going to go back to Page Number 5 of  
23 the knowledge transition document and the boxes on the  
24 left-hand side that describe how information gets into  
25 COP, there is no box for the CAS, the contract



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1 administration system. Can you explain why it's not  
2 on this diagram?

3 A. Because we don't get a feed from CAS. Our  
4 feed would come through CAS and interfaces with us --  
5 with COP two different ways.

01:44

6 Q. Okay.

7 A. In terms of an HPD sale, the order processing  
8 system would have gone to CA -- to CAS, C-A-S, and  
9 obtained the contract price for the sale. And that  
10 contract price would be passed to us as that line  
11 extension field that we talked about --

01:44

12 Q. In the --

13 A. -- earlier this morning.

14 Q. Right. In the direct data.

15 A. Right. In the event that CAS was providing  
16 us chargeback data, it does not come directly to us  
17 from CAS, it goes through CBS and then comes to us as  
18 indicated in Exhibit 9.

01:45

19 Q. Which is going to be the HPD part of the box  
20 labeled "PPD, HPD" with the phrase out beside it  
21 "Chargeback data"?

01:45

22 A. That's correct.

23 Q. So CBS would be that HPD piece of it.

24 A. Uh-huh.

25 Q. And the IMHC is the PPD part.

01:45

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1 A. That's correct.

2 Q. There is a -- give me just a minute.

3 A. Uh-huh.

4 Q. We have -- we are aware of a description of  
5 a -- maybe a division, I don't know what to call it,  
6 within Abbott alternate sites.

01:46

7 A. Yes.

8 Q. Are you aware --

9 A. Yes.

10 Q. -- familiar with that? Could you tell us  
11 where alternate site fits into Exhibit Number 9?

01:46

12 MR. BERLIN: Well, objection to form.

13 A. Alternate site is another division that flows  
14 through the flowchart on Exhibit 9, namely Division  
15 75.

01:47

16 Q. (BY MS. MOORE) Division 75.

17 A. So when you talk about HPD, there is a  
18 Division 01 and a Division 75. Both flow through this  
19 same chart.

20 Q. All right. We talked about the difference  
21 between the term "chargeback" and the term "rebate."  
22 And for purposes of the file layout for the PPD  
23 indirect, the term "rebate" means "chargeback"; is  
24 that correct?

01:47

25 A. That's correct.

01:47

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1 Q. Is there any other kind of remittance known  
2 as a rebate that could be included in that field?

3 MR. BERLIN: I'm sorry. Could I have  
4 that question read back?

5 (Requested portion was read)

01:48

6 Q. (BY MS. MOORE) Other than a chargeback.

7 MR. BERLIN: Objection to form.

8 A. Not that I'm aware of.

9 Q. (BY MS. MOORE) In the -- if you'll go back  
10 now to the direct data file layout for a moment.

01:48

11 A. Okay.

12 Q. See if we can get that exhibit number for  
13 you.

14 A. It was 18, wasn't it?

15 MR. WINTER: Exhibit 13.

01:48

16 Q. (BY MS. MOORE) 13. There's a field included  
17 in the direct data, I think it's the very last field,  
18 called "Rebate-Accrual." Are you familiar with that  
19 field?

20 A. I'm familiar with that field.

01:49

21 Q. Does that -- the use of the term "rebate"  
22 there have a meaning for you?

23 A. It has the same incorrect meaning because  
24 that's another chargeback-related field.

25 Q. So --

01:49

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1 A. That is an accrual in anticipation of paying  
2 a chargeback.

3 Q. As to the term "rebate," you are aware, I  
4 suppose, that there are transactions that take place  
5 that are called rebates --

01:50

6 A. Yes.

7 Q. -- that are different from chargebacks?

8 A. Yes.

9 Q. What -- to what extent do you know about  
10 those transactions?

01:50

11 A. I don't know of any other transactions than  
12 the chargeback transactions that we've discussed.

13 Q. So in this accrual that takes place here --

14 A. Uh-huh.

15 Q. -- there is only chargeback data --

01:50

16 MR. BERLIN: Objection, form.

17 Q. (BY MS. MOORE) -- is that correct?

18 A. They are accruing in anticipation of paying  
19 out a chargeback at a later date.

20 Q. In the data that you produced to us, the  
21 direct data, is there any rebate information or --

01:50

22 A. Not -- all data that I've produced to you  
23 contains only things relating to chargebacks.

24 Q. And specifically there are no administration  
25 fees; is that correct?

01:51

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1 A. That's correct.

2 Q. Are there any administration fees paid to  
3 nonpurchasers, like GPOs or PBMs?

4 A. No.

5 Q. Any rebates paid to those kinds of entities?

01:51

6 A. No.

7 Q. Purely an accrual of what you-all are  
8 estimating will be the chargeback for that product?

9 A. Exactly.

10 Q. In GAA specifically, is there any rebate  
11 information other than chargebacks?

01:51

12 A. It carries the inappropriately named rebate  
13 accrual field. It is -- because that's where it was  
14 produced, for your --

15 Q. Would you --

01:51

16 A. -- request.

17 Q. But you're telling me now that -- that --  
18 using the term "rebate" there is incorrect, it should  
19 be "chargeback"?

20 A. That's correct.

01:52

21 Q. Other than chargebacks, is there data in GAA  
22 regarding rebates that are not chargebacks?

23 A. No.

24 Q. No?

25 A. (Shakes head negatively).

01:52

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1 Q. On the Exhibit Number 9 there is a box  
2 labeled "Rebate." Do you see it?

3 A. Yes, I see it.

4 Q. Do you have any knowledge about what was  
5 in -- what's in that box or was in that box?

6 A. No, I do not.

7 Q. All right. Do you know why in the data  
8 produced to us, the accruals, these so-called rebate  
9 accruals, all the values for the PPD data are zero?

10 A. Because PPD does not use that technique.

11 Q. Why?

12 MR. BERLIN: Objection, form.

13 A. Okay. Our divisions are -- have some  
14 latitude in how they do error accounting, whereas, as  
15 we have determined, the Hospital Products Division  
16 accrue for those rebates, the PPD division does not.  
17 They just take them as a reduction of their sales when  
18 they -- chargebacks occur.

19 Q. (BY MS. MOORE) So within the data that you  
20 gave us, can you identify a PPD chargeback?

21 A. Yes.

22 Q. How?

23 A. They have a unique branch code.

24 Q. And that is what?

25 A. P2. And as we said earlier, they don't have

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1 an instruction code on them.

2 Q. No instruction code?

3 A. No instruction code.

4 Q. So there is no value in that field?

5 A. Right.

01:54

6 Q. Well, let's talk a minute about that code P2.

7 I'm going to ask you to get out Exhibits 20 and 21. I

8 may have this wrong. I know 21 for sure. 21 is the

9 "Summary of Billing and Inventory Codes."

10 A. Correct.

01:55

11 Q. And on -- we already established that billing  
12 code and branch code are synonymous, right?

13 A. That's correct.

14 Q. And if you look -- I hate to do this to you,

15 but what can I say, too many documents. If you'll

01:56

16 look at Page 8 of the knowledge transition document.

17 A. Page 8 of the knowledge transition document.

18 Q. Uh-huh. There's a paragraph at the bottom of

19 the page and it says "PPD and TAP," which is not

20 relevant here, "chargeback comes" --

01:56

21 MR. BERLIN: I'm sorry, what page are  
22 you on?

23 MS. MOORE: Page 8.

24 THE WITNESS: Page 8 of 46.

25 Q. (BY MS. MOORE) Okay. "Comes to COP," C-O-P,

01:56

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1 "via AES," we now know is also SAP, "in the file" --  
2 oh, look, there's our number, "IMHD13" --

3 A. Right.

4 Q. -- "with billing code P1." And if you'll  
5 look -- and it goes on to say that, "The billing code  
6 for HPD chargeback is G2."

01:57

7 A. That's correct.

8 Q. But you just testified, of course, that you'd  
9 looked for P2.

10 A. There's been a change on that and they were  
11 P2 -- P1 for some period of time and P2 for another  
12 period of time. So that's why I said what I said.

01:57

13 Q. Right.

14 A. But I don't remember when they actually  
15 crossed over.

01:57

16 Q. The -- and then if you'll look at Exhibit 21,  
17 which is supposed to be the -- all the branch or  
18 billing codes, there are no P numbers on here.

19 A. Yeah. That surprises me because they're  
20 supposed to be in here.

01:58

21 Q. So when you testified that these were all of  
22 the billing codes, you were -- you are not correct?

23 A. I was not correct because they are supposed  
24 to be on this list.

25 Q. Okay.

01:58



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1 A. But I agree with you that I don't see them on  
2 here.

3 Q. All right. Is there then a document that  
4 exists that would have all of the billing or branch  
5 code values?

01:58

6 A. Yes. The missing page of this document.

7 Q. Okay. And as to the direct data, are you  
8 aware --

9 MR. BERLIN: Can I interject, perhaps  
10 help? May I?

01:59

11 MS. MOORE: (Nodded head affirmatively).

12 MR. BERLIN: Because there is a P1 and I  
13 noticed on here. I may not be helping, but I just --

14 MS. MOORE: Well, that's why I pulled it  
15 out because I believe that's what's called the reason  
16 codes.

01:59

17 THE WITNESS: Yeah. That's a  
18 different --

19 MR. BERLIN: Okay. That's why I said, I  
20 might not be helping you.

01:59

21 THE WITNESS: -- different field.

22 MS. MOORE: And --

23 MR. BERLIN: Go ahead. I shouldn't have  
24 even bothered.

25 THE WITNESS: I am surprised that the

01:59

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1 Pls are not on here because they should be.

2 Anyway to correct my answer --

3 Q. (BY MS. MOORE) Yeah.

4 A. -- to find a PPD chargeback, it's either P1  
5 or P2 in the time frame we are looking at.

01:59

6 Q. (BY MS. MOORE) And the P2s that are in the  
7 reason code that Mr. Berlin just mentioned are  
8 something --

9 A. That's a whole different thing. That's in a  
10 different field on your data.

02:00

11 Q. Right. And as to the branch code or billing  
12 code G2 --

13 A. Yes.

14 Q. -- why are there no such transactions in this  
15 data?

02:00

16 A. For HPD there were none of those.

17 Q. In the direct data there's no G2s?

18 A. I do not know because I didn't extract  
19 anything. I didn't filter anything out of there, so I  
20 can only surmise that we didn't get it on the sales  
21 file.

02:00

22 Q. What does that mean?

23 A. That means when the WCS system fed to me, I  
24 didn't get data for these time periods, which doesn't  
25 seem to be correct.

02:00

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1 Q. So your expectation would be if you had asked  
2 for this data, that you would see G2 codes --

3 A. Uh-huh.

4 Q. -- or transactions with G2 in them?

5 A. Uh-huh.

02:01

6 Q. My -- that is a "yes" answer, not just a nod?

7 A. I would -- I would expect to see G2 billing  
8 codes in the data.

9 Q. All right. So in the direct data you would  
10 expect to see -- and you're the expert, you know  
11 what's in there, there would be a transaction for the  
12 sale to the wholesaler --

02:01

13 A. Uh-huh.

14 Q. -- and there would also be transactions for  
15 each and every chargeback that are fed from the  
16 chargeback systems both for PPD and HPD back into the  
17 GAA system --

02:01

18 A. Right.

19 Q. -- from which you took this data?

20 A. Right.

02:02

21 Q. So in theory you should be able to reconcile  
22 the indirect data against the direct data to see if  
23 all the transactions are there?

24 A. There's two problems --

25 Q. Yeah.

02:02

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1 A. -- with that.

2 Q. Okay.

3 A. Problem number one is there's a timing  
4 difference. A chargeback does not come back for  
5 anywhere from 30 to 90 days after the sale occurred.

02:02

6 The second is we have to have the source  
7 invoice number on our submission data from the  
8 wholesaler to reconcile to the claims.

9 Q. The source invoice number being what?

10 A. The original invoice number to the  
11 wholesaler.

02:02

12 Q. All right. So do you eventually do that? Do  
13 you eventually at Abbott tie the chargeback to an  
14 original invoice?

15 A. I believe so, but I am not certain.

02:03

16 Q. That would be in a different system?

17 A. The data that we have in the IMH file shows  
18 us the price that was sold to the wholesaler and it  
19 shows us the price that the end customer paid and it  
20 shows us the ensuing rebate. So those three pieces of  
21 data are on the IMH data that you have.

02:03

22 Now, I do not know if you can reconcile  
23 that back to the original invoice because the price  
24 that is there is what the wholesaler told us we  
25 charged him and he -- we would have to actually

02:03